

DIER & CO. WORKER FLEES TO CANADA

One of the Insiders Testifies
How Millions Were
Squandered.

BOOKKEEPING A JOKE

Head of Firm Knew Nothing of Brokerage Business, It Is Said.

THREE CENTS ON DOLLAR

Customers of Concern Will
Get Little of \$4,000,000
They Poured In.

How the bankrupt brokerage house of E. D. Dier & Co., which failed recently for \$4,000,000, squandered a fortune in one year on magnificent offices, wild speculation, extravagant salaries and inside peculation was unfolded yesterday at a hearing before Special United States Commissioner Gilchrist.

Dier & Co. are expected to pay about 3 cents on the dollar. Their 8,000 customers are virtually cleaned out.

One of the most amazing revelations was the manner in which three of the firm's "insiders" were said to have suggested the now vanished assets. Fred Andrews, known as a "real head" of the firm, was examined by Arthur G. Hays, counsel for the receiver. In regard to Ben Franklin Shrimpton, another one of the "real heads."

Shrimpton, the witness thought, had made enough money so he would not have to work again. He is believed to have gone to Canada. Mrs. Ida Devine, who with her husband lived in the same house with Shrimpton and his wife in Mount Vernon, N. Y., testified she came home the night the Dier firm crashed and found Mrs. Shrimpton, her sister, packing up for a sudden trip. She denied knowledge of their destination.

Firm Robbed Blind, He Says.

D. Franklin Gaines, an employee of Dier & Co., gave his opinion that the firm had been "robbed blind." Mr. Hays asked him what in his judgment was the reason for the failure. "Dier had absolutely no knowledge of the brokerage business," he replied. "He was taken advantage of, and I might quote a man that was interested in a way with him—Rosa Robertson—that he was 'robbed blind.'"

Hays: By whom?

Gaines: By those in charge of the business.

Hays: Who were they?

Gaines: Well, they were originally in the business, when it started, there were four: Shrimpton, Clinch, Raynor and Gunn. Raynor had charge of the correspondence, Gunn had charge of the advertising, Clinch had charge of the office and the new business, Shrimpton had charge of the brokerage—execution of all the orders. Andrews was a cashier. And when 50 New Street was first opened up I told Dier that the first and most important thing to get was a cash position every day. To my knowledge he never had got a cash position—never had any of them. And I know I have heard 'em say that, "Well, I am going to run this business, my end of it, as I see fit, or I am going to quit."

His Own Way or He'd Quit.

Hays—Who said that?

Gaines—Mr. Clinch.

Hays—In your presence?

Gaines—In my presence several times. Not only that, but "I will take all the business with me," Clinch had charge of all the business, all the production end, as they call it—branch offices and all the customers' men and correspondence.

Hays—So the best information you have and your judgment is that the business was robbed from the inside?

Gaines—Yes, sir. I naturally supposed so.

A "large present" was made to Martin, Charles A. Stoneham's Chicago manager, about the time of the arrangement between Stoneham and Dier, testified Andrews. This was in consideration of Martin's transferring his services to Dier & Co., he said.

When Col. Henry D. Hughes left the

concern the Philadelphia office of E. D. Dier & Co. owed between \$1,750,000 and \$2,000,000, asserted the witness. Dier paid Col. Hughes \$150,000 for his share in the partnership, Andrews said, and then sent more than \$250,000 to the Philadelphia office to keep things going.

When Col. Hughes, former partner of Dier when the firm was known as Hughes & Dier, left the concern, Andrews said, he took with him all records of large withdrawals of money which he and Dier had made in the partnership.

Andrews testified that while he was in Europe, after his resignation, he had heard that Dier withdrew \$290,000 from the New York office and was speculating heavily in grain and other stocks.

Andrews testified that he was worth about \$65,000 and that his wife was worth \$45,000 in her own name. He said he had made no large sums since leaving the Dier concern, adding: "There is nothing in any of my bank accounts which would tend to incriminate me."

**EXPULSED BROKERS
PUT IN BANKRUPTCY**

Continued from First Page.

N. J., who said Andrews swindled him out of 100 shares of Phelps-Dodge stock valued at \$14,000.

Six Found to Be Fugitives.

Samuel T. Greenfield, a broker, formerly with Franklin, Taylor & Co., 67 Exchange place, appeared before Justice Finch in the Supreme Court and pleaded not guilty to an indictment superseding an indictment charging him with grand larceny and conspiracy.

Greenfield is one of seven men charged by the Grand Jury with defrauding David Gardner, 3 East Eighty-second street, of \$70,000 in stock. The superseding indictment contains the names of the six others who are now fugitives from justice.

Thomas A. McGrath, 120 Broadway, Greenfield's counsel, said he would move for an inspection of the minutes of the Grand Jury and if the motion were granted would move for dismissal of the indictment.

In addition to presenting cases to the Grand Jury Jerome Simmons and Benjamin F. Schreiber, Assistant District Attorneys, continued to investigate new complaints as fast as they were received.

**WILSON FUND PASSES
HALF MILLION FIGURE**

North Carolina Leads States in Subscribing to Quotas.

During the first month of the nation wide campaign of the Woodrow Wilson Foundation, which is expected to raise at least \$1,000,000 to endow rewards for public service in perpetuation of the ideals of former President Wilson, \$500,000, or a half of the minimum goal, has been collected. Franklin D. Roosevelt, the chairman of the national committee, made the announcement yesterday. The campaign is actively under way in all the States, and Mr. Roosevelt said the response to the appeal had been wonderful.

North Carolina was reported to be leading all other States in the percentage of quota raised. Mrs. Josephus Daniels, State chairman, said that 71 percent had been subscribed. Oklahoma and the District of Columbia have raised about two-thirds, and Minnesota, Tennessee, Delaware, Kentucky, Connecticut, New Jersey, Oregon and Wisconsin at least half of their quotas.

**WORK TO BE NAMED
SUCCESSOR TO HAYS**

Special Dispatch to THE NEW YORK HERALD.

New York Herald Bureau, Washington, D. C., Feb. 17.

President Harding has selected a successor to Will Hays as Postmaster-General, according to an announcement at the White House today, but will withhold the name until Mr. Hays officially submits his resignation. It is understood in Administration circles that D. Hubert Work, present First Assistant Postmaster-General, will be the appointee.

Mr. Hays has been in Florida on vacation and is expected back in Washington on Monday or Tuesday. Mr. Hays is leaving the Cabinet to become director-general of the National Association of Motion Picture Producers and Distributors, at a salary several times larger than the \$12,000 a year he receives now.

N. Y. GOING DRY, SAYS DAY.

WASHINGTON, Feb. 17.—Use of naval or Shipping Board vessels to catch rum runners along the coast in the vicinity of New York was indicated by Federal Prohibition Director Day of New York to have been discussed today at a conference with Commissioner Haynes. Prohibition conditions in New York are steadily improving, Mr. Day said, adding that withdrawals of liquor from bonded warehouses in the State during January totaled only 11,000 gallons, which was 50 percent less than in December. He showed that about 250,000 gallons last July, and an average of about 10,000 gallons a day a year ago.

When Col. Henry D. Hughes left the

BEST WAY TO TEST BROKER IS TO INVESTIGATE FULLY

Continued from First Page.

on that sort of bancombe and send their money away on the strength of it.

Pick Your Own Bucketeer.

If you really are interested in one of these form letters, which any morning's mail may bring to flutter you out of your money, the best thing to do is to weigh every line carefully and watch for "jokers" in phraseology. If it sounds a little too anxious or solicitous throw it away. If it sounds all right, throw it away, anyway, and go out and hunt your own bucket shop. If you've got to have one, in that manner you might at least have the satisfaction of stinging yourself instead of being duped by a person you never knew from Adam's house cat.

Any "quick profit" letter is to be dodged like a brick always. It is not hard to work up considerable sympathy for the person undertaking to make a legitimate investment in stocks who is robbed in the process. But the man who rushes out to grab a "quick profit" on some fictitious yarn about a coming rise in the market price of some stock is undertaking to get something for nothing on the face of his transaction. Tears over such a predicament fall rather slowly.

Many of the letters to THE NEW YORK HERALD, however, are from persons who already have placed their money with brokers of whom they are suspicious. Such investors already are beyond the point where heed to the foregoing points would be of any use.

"Small Margin" Danger Sign.

Even after the negotiations between customer and broker have proceeded to the point of an actual transaction there are several aspects of the situation which may well be taken into consideration.

One of the favorite tricks of the bucketeer is to offer to do business on a smaller margin than his legitimate competitors. The bucket shop operator knows that that is a strong temptation to any uninitiated prospect. It looks like a special concession and a real saving in outlay for the investment.

When that offer is made the prospective customer should put on the brakes good and hard. Any stock has the same value at any given time, whether it be sold by one brokerage or another. That fact value has only so much borrowing power. Whenever an offer is made to reduce the margin to a point which patently makes inroads on the borrowing value of the security, it is a cinch that somebody is going to lose money in the deal. It is also a cinch that it is not going to be the broker, for no broker could stay in business on any such basis as that.

Bear in mind that the ordinary bucketing transaction is such because it does not involve a bonafide purchase and holding of the stock. The result of that situation is that the broker has obtained no security upon which to negotiate the loan for you. It follows that he cannot negotiate such a loan. That ought to make it fairly clear that he is not interested in whether the margin meets the difference between face value and borrowing power.

In those circumstances, it is a fairly safe bet that your "broker" is getting ready to pocket your investment in toto and wipe you out at the first opportunity.

The same line of reasoning applies to charging rates of interest below the current rate. The bucketeer can afford to charge you a lower rate of interest because he has negotiated no real loan on which you pay interest. Therefore you are not paying interest, but making a donation for the general prosperity of the members of the firm.

The receiver of such a letter then is instructed to fill out the inclosed blank and "await developments of unusual interest."

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Pays \$5 for Each 'Sucker' on Bucket Shop Hook

AN outsider happened to get a glimpse inside the "boiler shop"—that is, the telephone room—of a big bucket shop several days ago. This is what he saw:

A dozen or a score of salesmen, each with a "sucker list," were calling "prospects" as fast as they could get the numbers, telling glibly of the wonderful profits to be made by trading with that house. In front of the row of telephones the head of the "boiler shop" walked up and down, using the tactics of a "ballyhoo" for a sideshow. In one hand he held a fistful of five dollar bills. In the other he suspended a single bill which he dangled in front of the eyes of the men at the phones, prodding them on by every known trick of exhortation. This was the burden of his appeal:

"Who gets the next five?"

"Come on; take this one away from me!"

"Who's got a home for an orphan five spot?"

And as fast as each salesman succeeded in landing a new account, he was rewarded with a five dollar bonus.

Remember that interest charges are one of the main sources of income in any honest brokerage business, and no legitimate broker is going to lose money by going below the current rate. It is a part of the backbone of the business.

So when some kind broker comes along and offers you a cut in interest rates as a special inducement it is time also to have a care.

It is not unlikely that when such offers are made the bucketeer will come forward with all sorts of plausible stories of why he is able and wishes to extend to you this special consideration. You may be persuaded to believe him, and cannot explain to yourself why you should not accept his offer. But whatever you do you may rest assured that you are taking a chance against the fundamentals of the brokerage business.

Now, let us suppose that you have already invested your money, and for some reason your suspicions have been aroused concerning your broker. What can be done to find where you stand?

Bucket Shop Can Show Stock.

To demand that your broker actually show you the stock which you ordered him to buy is next to no assurance at all. As has been explained in these columns previously, the bucketeer is expecting that demand at any time and is ready for it. His may keep sufficient stocks on hand to show his customers when they make such demands, using the same stock for all customers, or he may hastily buy the shares and sell them again immediately after you have inspected them.

The surer course to pursue is to order the transfer of your account to a concern in which you have greater faith. If your broker is legitimate and on the level he can have not the slightest possible excuse for failing to transfer your account at once. That should require only a matter of hours, or a day or so at the outside, depending on circumstances.

The only reason why he could fail to execute your request for a transfer of your account would be the fact that he did not have the actual shares of stock to deliver to your new broker. If that happens, or if your broker shows any disposition to quibble or delay about the transfer, it is time to demand the immediate delivery of your stock, and failing in that to hunt up the District Attorney. You will be lucky if you get out then.

Justice Ford reserved decision.

If your broker complies readily with your request and makes the transfer promptly it is reasonable to believe that he is conducting a legitimate business, and unless you have other reasons for thinking him dishonest you might fairly assume that you are safe. An expression of willingness to make the transfer, though, could hardly be taken as full proof of good faith. The actual transfer is the test.

Do Your Own Transferring.

On the other hand, when your broker notifies you that he has transferred your account to another broker without your having requested the transfer it is a very good time to become alarmed and do a little quick and effective investigation. The transfer of account is one of the commonest tricks of a bucket shop about to go into bankruptcy or go out of business for other reasons—usually connected with the uncomfortable end of the laws of the land.

If you are in the hands of a bucketeer and he transfers your account it can be taken almost on its face as a fact that he has transferred your account to another bucket shop which he and his associates have organized under a new name to accommodate all the worth while accounts before the arrival of the officers of the law.

Ordinarily when that occurs the new firm will win your faith by beginning to congratulate you on having got out of the clutches of the old concern and to malign the old firm scandalously. "We have just found out what a bunch of crooks that outfit is; you're lucky to get out with anything." You may feel rather badly about hearing your old broker abused in such fashion, but pretty soon, sure enough, along comes bankruptcy, and you fall on the necks of your new friends and thank them with tears in your eyes.

Rest assured they knew all along what the situation was, and you were saved from the wreck only because the process of cleaning you had not yet been completed.

These suggestions are given for what they may be worth, but no guarantee for complete effectiveness attaches. The writer of this article has asked prosecuting officers, bankruptcy lawyers, brokers, investors, victims and about every source that could be interested the question which has been asked so repeatedly by readers of THE NEW YORK HERALD's bucket shop series. He has yet to find the man who knows an absolutely sure way of spotting a bucket shop.

MRS. DURANT SEEKS END OF OLD DEBT GARNISHEE

Finds \$2,600 Trust Income Is Not Enough to Live On.

Mrs. Janet L. Durant, formerly the wife of William West Durant, applied in the Supreme Court yesterday to vacate an order entered in 1913 garnishing an income she receives from a trust fund and on which a dressmaker and a bootmaker in California are still receiving money in payment of apparel they furnished to her in 1906 and 1907.

The judgment on which the garnishee order was obtained was rendered in the Municipal Court in 1903 and Mrs. Durant moved to vacate both it and the order yesterday on the ground that a discharge in bankruptcy was given to her afterward and that the trust fund from which she receives an income was given her in lieu of alimony and is not subject to execution.

Mrs. Durant said that her trust fund income is only \$2,600 a year and she finds it difficult to live on that sum, because when she and her husband were together they had a yacht which carried a crew of thirty men, three camps in the Adirondacks and two houses. Her three children, she said, are dependent on her, although the youngest is 32 years old. He is Basil N. Durant, a professional dancer.

Justice Ford reserved decision.

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